

Abstract

According to the Convergence Analysis of Slovakia from 2017, the current subject of Slovak economic growth and convergence is the slow growth in productivity as relative productivity of Slovakia to the EU average was decreasing in the period from 2014 to 2017. Moreover, it shows that Slovakia is one of the countries with low efficiency of using labour and capital, which means that there is an occurrence of misallocation of resources. A significant role in this downturn according to recent literature might be the occurrence of zombie firms, which are old companies that do not have sufficient profitability to cover their interest expenses for a longer period. This thesis examines zombie firms and their significance in stifling productivity performance. Using a rich firm-level dataset for Slovakia, we research the determinants of zombie companies in Slovakia. Controlling for cyclical effects, this thesis reveals that zombie enterprises over the period from 2003 to 2013 were significantly less productive compared to their healthy competitors. In addition, we find out that occurrence of zombie companies curbs the growth of healthy companies and has a negative impact on the economic output overall. These results are raising several issues for public policy as it needs to mitigate this cause of performance weakness.